

Fact Sheet:

Nursing Home Closures

Background

This fact sheet responds to the industry contention that the current high rate of nursing home closures in the state reflects a "crisis in nursing home care" and is due primarily to low Medicaid payment rates. Department records indicate that within the state 39 Medicaid reimbursed nursing homes have closed since 1/1/98. With 237 nursing homes currently operating within the state, these closures represent an approximate 14% reduction in homes over the past seven years.

What has caused this decline?

While there may be many factors that have contributed to the closure rate, a low rate of occupancy certainly appears to be a primary cause. The average occupancy rate for the 39 homes at the time of closure was only 68 percent. And all but seven of these facilities were located in counties that are considered to have an excessive number of nursing home beds by Department of Health standards.

Per state law, Medicaid payment rates recognize only costs that are necessary, ordinary and directly related to patient care. Industry claims of inadequate rates are usually based on all reported costs, many of which are not allowable under this law. Over the past several years Washington's payment rates have consistently ranked among the top third nationally.

The inability to attract sufficient residents to maintain efficiencies and economies of scale is far more detrimental than any perceived lack of Medicaid payment.

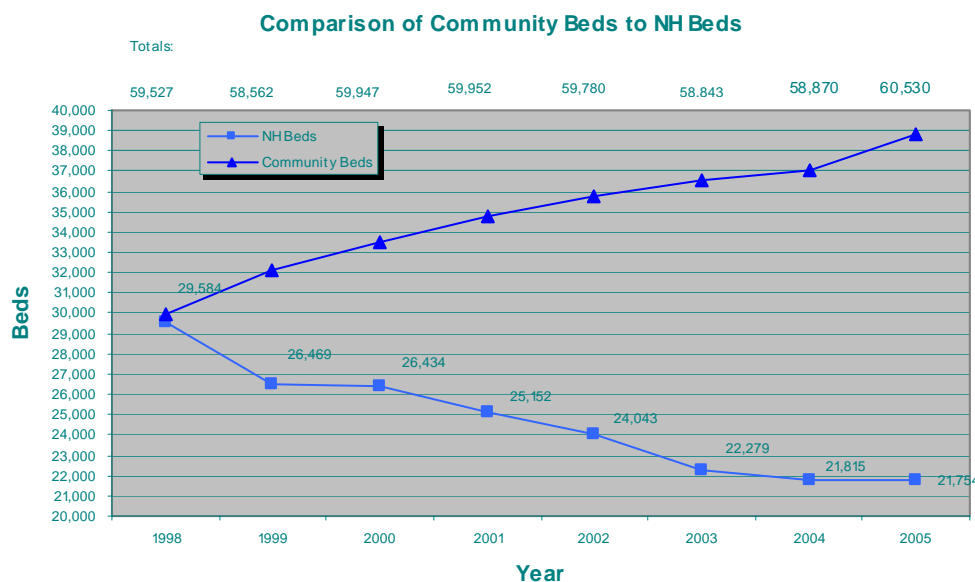
Do these closures represent a crisis in long term care?

On the contrary, the legislature and the department have for many years worked toward a reduced reliance on nursing homes as the primary setting for long term care.

*"The legislature finds that the public interest would best be served by a broad array of long-term care services that support persons who need such services at home or in the community whenever practicable and that promote individual autonomy dignity, and choice. **The legislature finds that as other long-term care options become more available, the relative need for nursing home beds is likely to decline.**" (HB 2098, codified in RCW 74.39A)*

Expansion of cost effective boarding home and adult family home beds has kept pace with the loss of nursing home beds during the last seven years.

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As noted above, closures to date have been primarily in counties that have an excess of nursing home beds. However, there are several counties, primarily rural in nature, that are underbedded. If future nursing home closures were to occur in some of these counties, access to care problems could result.

Factors other than the Medicaid reimbursement rate have contributed to the closure of two nursing homes in the past year.



Shaded counties have an excess of nursing home beds, according to the standard set by the Legislature.

- Many counties in Washington State have an excess number of nursing home beds
- The majority of facilities that closed are in counties where the number of available nursing home beds exceeds the standard set by the legislature (40 beds per thousand individuals age 65 +).
- Two Medicaid facilities closed in the past year. They had an average occupancy rate of only 72% for the year. The decision to close may have been prompted more by an inability to fill beds than the Medicaid rate.
- Of the four facility closures this year (two additional private, non-Medicaid), none had significant remodeling in over 30 years.
- The four closures equate to a 1.7% annual closure rate. Given the general economy, this low closure rate suggests a relatively healthy industry.

How do these closures affect state long term care expenditures?

The state law requires that the allowable costs incurred by nursing homes be recognized in determining the department's payment rates. This often results in the cost of maintaining empty beds being included in the rate, a liability for which the state and its taxpayers receive no benefit. Closure of nursing homes with a low rate of occupancy helps reduce this liability. For lower needs residents who can appropriately be placed in home and community based alternative settings, nursing home closures can generate significant state savings in reduced payment rates.